

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 L-03 CAB-02 CIAE-00 COME-00

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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA PRIORITY

INFO AMCONSUL MELBOURNE

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E.O. 11652: N/A

TAGS: EAIR, AS, US

SUBJECT: CIVAIR - AUSTRALIAN USER CHARGES

REF : CANBERRA 4194

1. WHILE INFORMATION PROVIDED REFTEL IS A MOST WELCOME DEVELOPMENT, ITS FAVORABLE IMPACT WAS SERIOUSLY MUTED BY EARLIER ANNOUNCEMENT (REPORTED THROUGH INDUSTRY CHANNELS) OF ANOTHER 15 PERCENT INCREASE IN AIR NAVIGATION CHARGES, EFFECTIVE DECEMBER 1, 1976. U.S. AUTHORITIES CAN ONLY ASSUME THAT MOST OF THE 25 PERCENT COST SAVING MENTIONED REFTEL WILL BE NEGATED BY 15 PERCENT RATE INCREASE.

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2. BECAUSE U.S. AUTHORITIES HAVE BEEN LED TO HOPE THAT

THE LONG-PROMISED AUSTRALIAN AVIATION USER CHARGE STUDIES WOULD LEAD TO SIGNIFICANT REDUCTIONS IN CHARGES BEING PAID BY U.S. AIR CARRIERS, THEY HAVE ATTEMPTED TO ACT WITH RESTRAINT AND AVOID PRECIPITOUS ACTION IN SPITE OF CONSIDERABLE CONGRESSIONAL, INDUSTRY AND PUBLIC PRESSURE TO MOVE IMMEDIATELY TO IMPOSITION OF COMPENSATORY CHARGES ON AUSTRALIAN AIR CARRIERS. ANNOUNCEMENT OF STILL ANOTHER SIGNIFICANT PENDING INCREASE IN USER CHARGES ONLY FOUR MONTHS AFTER MOST RECENT 15 PERCENT INCREASE, TOGETHER WITH THE NEED TO MAINTAIN THE CONFIDENTIALITY OF THE INFORMATION REPORTED REFTEL, HAS NOT ENHANCED THE ABILITY OF U.S. OFFICIALS TO RESIST THESE PRESSURES. U.S. AUTHORITIES FIND THEMSELVES DEPRIVED BY REFTEL'S CONFIDENTIALITY OF ANY EFFECTIVE ARGUMENT WITH WHICH TO COUNTER THE PRESSURES OF THOSE WHO ARGUE THAT, IN SPITE OF NEARLY TWO YEARS OF OFFICIAL DISCUSSION, NEGOTIATIONS AND EXCHANGE OF INFORMATION, AVIATION USER CHARGES BEING PAID BY U.S. AIR CARRIERS OPERATING INTO AUSTRALIA CONTINUE TO SPIRAL UPWARDS WITH NO APPARENT RELIEF IN SIGHT. IF WE ARE TO AVOID A CONFRONTATION OVER THIS ISSUE, IT IS IMPERATIVE, THEREFORE, THAT GOA ANNOUNCE ITS NEW CHARGING SCHEME AS SOON AS POSSIBLE AND THAT THE SCHEME INVOLVE NO BASIS FOR ACTION UNDER FAIR COMPETITIVE PRACTICES ACT (FCPA). THE DEPARTMENT OF TRANSPORTATION HAS DETERMINED THAT A USER CHARGE WHICH SUBSTANTIALLY EXCEEDS FULLY ALLOCATED COSTS MAY BE FOUND TO VIOLATE FCPA, THUS ACTIVATING THE ACT'S MACHINERY FOR NEGOTIATION AND, ULTIMATELY, COMPENSATORY CHARGES. DISCRIMINATORY CHARGES, SUCH AS THE FIXED FLIGHT FACTOR, ALSO FALL UNDER THE FCPA.

3. EMBASSY IS REQUESTED TO APPRISE GOA OF THE FOREGOING REACTION OF U.S. AUTHORITIES TO THE ANNOUNCEMENT OF ANOTHER PENDING INCREASE IN AUSTRALIAN AVIATION USER CHARGES. EMBASSY SHOULD RECALL THAT THIS ISSUE WAS FIRST RAISED WITH GOA IN OCTOBER 1974, AND THE SECRETARY OF TRANSPORTATION IS INCREASINGLY MINDFUL OF HIS OBLIGATION TO ACT PROMPTLY WHENEVER HE DETERMINES THAT THE FCPA HAS BEEN VIOLATED.

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4. EMBASSY SHOULD ALSO REQUEST AN EXPLANATION FOR THE PENDING USER CHARGE INCREASE AND SPECIFICALLY NOTE THAT COST ALLOCATION DATA PREVIOUSLY PROVIDED TO U.S. BY GOA INDICATED THAT, WITH RESPECT TO THE INTERNATIONAL AIR CARRIERS, AUSTRALIA WAS EITHER AT OR VERY CLOSE TO FULL RECOVERY. WHILE THIS DATA WAS FOR THE 1974/75 TIMEFRAME, IT INCLUDED A 12 PERCENT INFLATION FACTOR WHICH SUGGESTS

THAT THE MAGNITUDE OF INCREASE IN CHARGES ANNOUNCED FOR
DECEMBER 1 COULD RESULT IN OVER-RECOVERY FROM THE
INTERNATIONAL AIR CARRIERS, AND THUS ACTION UNDER FCPA.

5. REQUEST YOUR CONCURRENCE IN OUR INFORMING U.S.
AIRLINES OPERATING INTO AUSTRALIA OF CONTENT REFTEL ON
CONFIDENTIAL BASIS. THIS WOULD BE USEFUL PUBLIC
RELATIONS GESTURE FOR US AND, EVEN IF TO LESSER EXTENT,
FOR AUSTRALIA, AND WOULD PERMIT AIRLINES TO PREPARE
MORE FULLY FOR IATA-GOA TALKS IN AUGUST.

6. AT ITS DISCRETION, EMBASSY MAY WISH TO CAUTION
AUSTRALIAN AUTHORITIES OVER THEIR EXTREME VISIBILITY ON
THIS SUBJECT. WHILE U.S. CAN FULLY APPRECIATE AND
RESPECT THE GOA'S INTENT TO RECOVER FULLY THE COSTS OF
PROVIDING FACILITIES AND SERVICES TO INTERNATIONAL
AVIATION, THE FACT THAT, EVEN PRIOR TO PENDING INCREASE,
AUSTRALIAN AVIATION USER CHARGES WERE THE HIGHEST IN
THE WORLD HAS MADE THEM THE FOCAL POINT OF A CONCERTED
EFFORT ON THE PART OF THE FINANCIALLY HARD-PRESSED
AIRLINES TO KEEP USER CHARGE COSTS DOWN. KISSINGER

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